

**WEST BATON ROUGE PARISH
WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA**

ANNUAL FINANCIAL REPORT

JUNE 30, 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

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WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
JUNE 30, 2011

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BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

To the Board of Water Works Commissioners
West Baton Rouge Parish Water Works District No. 2
Brusly, Louisiana

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the business-type activities of the West Baton Rouge Parish Water Works District No. 2, a component unit of the West Baton Rouge Parish Council, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the West Baton Rouge Parish Water Works District No. 2 as of June 30, 2011, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 25, 2011, on our consideration of the West Baton Rouge Parish Water Works District No. 2's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

INDEPENDENT AUDITORS' REPORT (continued)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of West Baton Rouge Parish Water Works District No. 2. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Baxley & Associates, LLC

Plaquemine, Louisiana
July 25, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

WBRP WATERWORKS DISTRICT #2

P. O. Box 128 Brusly, LA 70719 225-749-3744 Fax: 225-749-8576

Management's Discussion and Analysis

As management of the Parish of West Baton Rouge, Louisiana, Waterworks District #2, we offer readers of the Parish of West Baton Rouge, Louisiana, Waterworks District #2's financial statements, this narrative overview and analysis of the financial activities of the Parish of West Baton Rouge, Louisiana, Waterworks District #2 for the fiscal year ended June 30, 2011. We encourage readers to consider the information presented here in conjunction with additional information that is presented in the report.

Financial Highlights

The assets of the Parish of West Baton Rouge, Louisiana, Waterworks District #2 exceeded its liabilities at the close of the most recent fiscal year by \$2,947,513 (net assets). Of this amount, \$502,863 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The government's total net assets increased by \$153,065. The increase is due to a more efficient management of the District's resources. At the same time, depreciation increased and major maintenance programs were completed.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Parish of West Baton Rouge, Louisiana, Waterworks District #2's basis financial statements. The Parish of West Baton Rouge, Louisiana, Waterworks District #2 basic financial statements comprise three components: 1) government-wide financial statements, 2) proprietary fund financial statements, and 3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the Parish of West Baton Rouge, Louisiana, Waterworks District #2's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Parish of West Baton Rouge, Louisiana, Waterworks District #2's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in *net assets*

may serve as a useful indicator of whether the financial position of the Parish of West Baton Rouge, Louisiana, Waterworks District #2, is improving or deteriorating.

The *statement of activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. earned by unused vacation leave).

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Parish of West Baton Rouge, Louisiana, Waterworks District #2, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Parish of West Baton Rouge, Louisiana, Waterworks District #2 uses only enterprise funds to account for its operations.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Parish of West Baton Rouge, Louisiana, Waterworks District #2 uses only enterprise funds to account for its operations.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government wide and fund financial statements. The notes to the financial statements can be found on page 20 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain other information concerning the Parish of West Baton Rouge, Louisiana, Waterworks District #2's. Other supplementary information can be found on pages 21-26 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Parish of West Baton Rouge, Louisiana, Waterworks District #2, assets exceeded liabilities by \$2,947,513 at the close of the most recent fiscal year.

By far, the largest portion of the Parish of West Baton Rouge, Louisiana, Waterworks District #2 net assets is the investment in capital assets (e.g. land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The Parish of West Baton Rouge, Louisiana, Waterworks District #2 uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Table 1
Net Assets

ASSETS	2010	2011
Current and other assets	1,823,203	2,027,452
Capital assets	<u>1,134,554</u>	<u>1,094,650</u>
Total assets	<u>2,957,757</u>	<u>3,122,102</u>
Current and other liabilities	<u>163,309</u>	<u>174,589</u>
Total liabilities	<u>163,309</u>	<u>174,589</u>
Net assets:		
Invested in capital assets,		
Net of related debt	<u>1,134,554</u>	<u>1,094,650</u>
Restricted	<u>271,241</u>	<u>1,350,000</u>
Unrestricted	<u>1,388,653</u>	<u>502,863</u>
Total net assets	<u>2,794,448</u>	<u>2,947,513</u>

At the end of the current fiscal year, Parish of West Baton Rouge, Louisiana, Waterworks District #2 is able to report positive balances in its net assets. The same situation held true for the prior fiscal year.

Key elements of this increase are as follows:

Table 2
Changes in Net Assets

	2010	2011
Revenues		
Program revenues		
Charges for services	645,899	630,986
Non-operating revenue	31,632	13,872
Other general revenues	<u>59,206</u>	<u>69,622</u>
Total Revenues	<u>736,737</u>	<u>714,418</u>
Other expenditures	<u>452,727</u>	<u>561,415</u>
Total Expenses	<u>452,727</u>	<u>561,415</u>
Increase (decrease) in net		
Assets	<u>284,010</u>	<u>153,063</u>
Net Assets Beginning	<u>2,510,438</u>	<u>2,794,448</u>
Net Assets Ending	<u>2,794,448</u>	<u>2,947,513</u>

The government's total net assets increased by \$153,065. The increase is due to more efficient management of the district's resources and an increased customer base.

Capital Asset and Debt Administration

Capital Assets. The Parish of West Baton Rouge, Louisiana, Waterworks District #2 investment in capital assets for its business type activities as of June 30, 2011 amounts to \$1,094,650 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment. The total decrease in Waterworks District #2's investment in capital assets for the current fiscal year was \$39,904 due to depreciation exceeding current year additions.

Major capital asset events during the current fiscal year included the following:

Upgrade of Existing Water Lines

Table 3
Water District #2 – Capital Assets
(Net of Depreciation)

	2010	2011
Buildings and system	<u>1,134,554</u>	<u>\$1,094,650</u>

Additional information on the Parish of West Baton Rouge, Louisiana, Waterworks District #2's capital assets can be found on page 19 of this report.

Long-term debt. At the end of the 2010-2011 fiscal year, the Parish of West Baton Rouge, Louisiana, Waterworks District #2 had no outstanding long-term debt.

Anticipated Rate Changes

The Parish of West Baton Rouge, Louisiana, Waterworks District #2 last increased its rates in August 2007. During the fiscal year ended on June 30, 2011, unrestricted net assets decreased to \$502,863. It is anticipated that unrestricted net assets will avoid the need to raise rates during the 2010-2011 fiscal year, however the rapid growth in the area may necessitate a rate increase.

Requests for Information

This financial report is designed to provide a general overview of the finances of the Parish of West Baton Rouge, Louisiana, Waterworks District #2 for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Parish of West Baton Rouge, Louisiana, Waterworks District #2 Business Manager, Alice Tullier.

BASIC FINANCIAL STATEMENTS

EXHIBIT A

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BALANCE SHEET
JUNE 30, 2011

ASSETS

Current Assets:

Cash and cash equivalents	\$ 302,871
Investment in certificates of deposit	106,052
Accounts receivable - customers	150,347
Prepaid expense	<u>13,511</u>

Total Current Assets **572,781**

Noncurrent Assets:

Restricted Assets:

Cash and cash equivalents	<u>1,454,671</u>
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Total Restricted Assets **1,454,671**

Capital Assets:

Property, plant and equipment	2,496,527
Less accumulated depreciation	<u>(1,401,877)</u>

Total Capital Assets (Net) **1,094,650**

TOTAL ASSETS **\$ 3,122,102**

(Continued)

The accompanying notes are an integral part of this statement.

EXHIBIT A

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BALANCE SHEET
JUNE 30, 2011

LIABILITIES AND NET ASSETS

Current Liabilities:

Payable from Current Assets -

Accounts payable	\$ 4,600
Due to other governmental agencies	51,734
Accrued salaries	13,584
	<u>69,918</u>

Noncurrent Liabilities:

Payable from Restricted Assets -

Customer deposits	104,671
	<u>104,671</u>

Total Liabilities	<u>174,589</u>
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Net Assets:

Invested in capital assets, net of related debt	1,094,650
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Restricted net assets:

Restricted for system maintenance, well and emergencies	1,350,000
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Unrestricted net assets	<u>502,863</u>
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Total Net Assets	<u>2,947,513</u>
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TOTAL LIABILITIES AND NET ASSETS	<u>\$ 3,122,102</u>
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The accompanying notes are an integral part of this statement.

EXHIBIT B

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUE	
Charges for services	\$ 630,986
Installations and reconnection fees	35,369
Penalties	<u>34,253</u>
TOTAL OPERATING REVENUE	<u>700,608</u>
OPERATING EXPENSE	
Depreciation	76,460
Maintenance and meter installation	91,820
Utilities	32,992
Personnel (salaries and benefits)	304,107
Other	<u>56,036</u>
TOTAL OPERATING EXPENSE	<u>561,415</u>
OPERATING INCOME (LOSS)	<u>139,193</u>
NON-OPERATING REVENUE	
Interest revenue	<u>13,872</u>
TOTAL NON-OPERATING REVENUE	<u>13,872</u>
CHANGE IN NET ASSETS	153,065
NET ASSETS, BEGINNING	<u>2,794,448</u>
NET ASSETS, ENDING	<u><u>\$ 2,947,513</u></u>

The accompanying notes are an integral part of this statement.

EXHIBIT C

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 675,777
Cash payments for goods and services	(202,209)
Payments to employees	(300,850)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>172,718</u>

CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES

Customer deposits refunded	(16,740)
Customer deposits received	36,828
NET CASH PROVIDED BY NON-CAPITAL FINANCING ACTIVITIES	<u>20,088</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Acquisition of capital assets	(36,558)
NET CASH USED IN CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(36,558)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Matured certificates of deposit transferred to cash	454,423
Interest on investments	15,988
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>470,411</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS

626,659

CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR

1,691,358

Restated Beginning Balance(560,475)**CASH AND CASH EQUIVALENTS--BEGINNING OF YEAR (RESTATED)**1,130,883**CASH AND CASH EQUIVALENTS--END OF YEAR**\$ 1,757,542**RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES**

Operating income	\$ 139,193
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	76,460
Changes in operating assets and liabilities:	
Accounts and miscellaneous receivables	(26,691)
Prepaid expense	(7,436)
Due to other governmental agencies	1,860
Accounts payable	(13,925)
Accrued salaries	3,257
Total adjustments	<u>33,525</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES\$ 172,718

The accompanying notes are an integral part of this statement.

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

INTRODUCTION

West Baton Rouge Parish Water Works District No. 2 was established by the West Baton Rouge Parish Council as provided by Louisiana Revised Statute 33:3811 - 3821. The District is governed by a Board of Commissioners, appointed by the West Baton Rouge Parish Council. The District is responsible for providing water utility service within the boundaries of District No. 2.

The accounting and reporting policies of the District relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Government Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the District has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the notes are organized to provide explanations, including required disclosures, of the District's financial activities for the fiscal year ended June 30, 2011.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

As the governing authority of the Parish, for reporting purposes, the West Baton Rouge Parish Council is the financial reporting entity of West Baton Rouge Parish. The financial reporting entity consists of (a) the primary government (Council), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Codification Section 2100 established criteria for determining which component units should be considered part of the West Baton Rouge Parish Council for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. This criteria includes: (1) appointing a voting majority of an organization's governing body, and the ability of the Council to impose its will on the organization, and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Council; (2) organizations for which the Council does not appoint a voting majority but are fiscally dependent on the council; and (3) organizations for which the reporting entity financial statements would be misleading if data of the organization is not included because of the nature or significance of the relationship.

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

Because the West Baton Rouge Parish Council appoints a governing board and because of the scope of public service, the District is deemed to be a component unit of the West Baton Rouge Parish Council, the governing body of the Parish and the governmental body with oversight responsibility.

The accompanying financial statements present only information on the funds maintained by the District and do not present information on the Parish Council, the general government services provided by that governmental unit, or the other governmental units that comprise the governmental reporting entity.

B. Basis of Presentation (Fund Accounting)

The accompanying financial statements of the Water District No. 2 of the Parish of West Baton Rouge, Louisiana have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. These fund types apply all applicable pronouncements of the Financial Accounting Standards Board (FASB) issued on or before November 30, 1989 that are not in conflict with applicable GASB pronouncements.

C. Deferred Compensation

Beginning with fiscal year 1999, deferred compensation plan transactions formerly reported on the District's balance sheet as a restricted asset and a liability payable from restricted assets, are excluded from the District's financial reporting.

D. Fund Structure

Water District No. 2 of the Parish of West Baton Rouge, Louisiana, a component unit of the Parish, is an enterprise fund. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

E. Method of Accounting

On July 1, 2003, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 34 *"Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments."* GASB 34 established standards for external reporting for all state and local governmental entities which includes a statement of net assets, a statement of activities and changes in net assets and a statement of cash flows. It requires the classification of net assets into three components - invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

Invested in capital assets, net of related debt - This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the unspent related debt proceeds at year-end. The portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt, rather, that portion of the debt is included in the same net assets component as the unspent proceeds.

Restricted - This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets - This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement 34 had no effect on the basic financial statements except for the classification of net assets in accordance with Statement 34 and the reflection of capital contributions as a change in net assets.

The Water District utilizes the accrual basis of accounting. Revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred. Revenues for utility services are accrued through year-end.

F. Revenue Billings

Utility Customers are billed throughout the month in cyclical billings by route. Revenues are accrued at year end from the date of last billing.

G. Budgetary Practices

The District uses budgets for management purposes but does not utilize any formal budgetary controls in its reporting system.

H. Encumbrances

Encumbrance accounting is not employed by the District.

I. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, all restricted and unrestricted cash in banks (demand deposits, interest-bearing demand deposits and money market accounts) and highly liquid investments, having a maturity of three months or less when purchased are considered to be cash equivalents.

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

J. Accounts Receivable

Receivables include amounts due from customers for the use of utilities. All receivables are current and therefore due within one year. Receivables are reported net of an allowance for uncollectible accounts and revenues net of uncollectibles. Allowances are reported when accounts are proven to be uncollectible. Accounts receivable of \$150,347 are reported net of allowance for uncollectible accounts for the year ended June 30, 2011. Revenues of \$700,608 are reported net of uncollectible amounts for the year ended June 30, 2011.

K. Capital Assets

The cost of property plant and equipment, including significant betterments to existing facilities and infrastructure is recorded in the enterprise fund on its balance sheet. Interest costs during construction are capitalized. Depreciation of all exhaustible fixed assets is charged as an expense against operations and has been computed under the straight-line method based on the estimated useful lives of the individual assets. Estimated useful lives are as follows:

Office equipment	5 years
Distribution system	10-30 years

Plant and equipment are valued at historical cost or estimated historical cost if actual cost is not available. The District's policy has set the capitalization threshold for reporting capital assets at \$1,000.

L. Compensated Absences

All employees and other personnel are part-time. Accordingly, vacation and sick pay expenses are not incurred.

M. Risk Management

The District purchases insurance to provide workers' compensation coverage, and general liability and property insurance. There are no significant reductions in insurance coverage from the prior year. Settled claims have not exceeded commercial excess coverages in the last three years.

2. Cash and Investments

Cash -

Under state law the District may deposit funds in demand deposits with state banks organized under Louisiana law and national banks having their principle offices in Louisiana. At June 30, 2011, the carrying value of the District's deposits totaled \$1,757,542. The related bank balances were \$1,771,754 for 2011.

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

Investments -

Under state law, the District may invest in United States bonds, treasury notes, or certificates. These are classified as investments if their original maturities exceed 90 days. Investments are recorded at cost which approximates market value. As of June 30, 2011, the District held investment certificates of deposit having a bank and book balance of \$106,052. The maturity date of the investment is November 6, 2011 and has an annual yield of 1.7%.

State law requires that these deposits be insured by federal depository insurance or secured by the pledge of securities owned by the fiscal agent bank in an amount at least equal to the bank balance of the deposits. At June 30, 2011, the bank balance was covered by federal depository insurance in the amount of \$674,116 and the remaining balance of \$1,203,691 secured deposit collateral consisting of pledged securities having a market value of \$1,302,269 held in the fiscal agent bank's name (Risk Category 3).

3. Restricted Assets

Restricted assets of \$1,454,671 at June 30, 2011 consist of \$1,350,000 of interest bearing deposits for future capital expenditures and emergency maintenance and repairs, and \$104,671 of non-interest bearing deposits for customer meter deposits.

4. Accounts Receivable

At June 30, 2011, accounts receivable from customers are comprised of the following:

	<u>2011</u>
Water	\$ 67,389
Garbage	50,347
Unbilled water services	<u>32,611</u>
	<u><u>\$ 150,347</u></u>

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

5. Property, Plant and Equipment

Property, plant and equipment and the related accumulated depreciation for the year ended June 30, 2011 are as follows:

	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011	Accumulated Depreciation 6/30/2011	Net Book Value 6/30/2011
Water System	\$ 2,162,990	\$ -	\$ -	\$ 2,162,990	\$ 1,297,168	\$ 865,822
Office Equipment	31,601	1,989	-	33,590	25,521	8,069
Building/Office	265,380	-	-	265,380	79,188	186,192
Constr. in progress	\$ -	34,567	\$ -	34,567	\$ -	34,567
	<u>\$ 2,459,971</u>	<u>\$ 36,556</u>	<u>\$ -</u>	<u>\$ 2,496,527</u>	<u>\$ 1,401,877</u>	<u>\$ 1,094,650</u>

6. Local Services Agreements

For the year ended June 30, 2011, the District remitted collections to other governmental agencies for services provided by the units. Such fees are not included in these financial statements and are as follows:

	2011
West Baton Rouge Parish	<u>\$ 645,949</u>
Town of Addis, Louisiana	<u>\$ 209,333</u>
Town of Brusly, Louisiana	<u>\$ 215,179</u>
<u>Due to other governments</u>	
	2011
West Baton Rouge Parish	<u>\$ 47,320</u>
Town of Addis, Louisiana	<u>\$ 2,317</u>
Town of Brusly, Louisiana	<u>\$ 2,097</u>

7. Litigation

There is no litigation pending against the Board at June 30, 2011. An assessment has been asserted against West Baton Rouge Parish Water District Number Two by the State of Louisiana in the amount of \$400,000 for work performed under the direction of the Louisiana State Department of Transportation and Development during the year 2004. The work performed was a relocation of certain water lines owned by the District. At the time the work was performed, the District was informed that the cost would be shown as uncollectible, thereby relieving the District of payment. The District intends to oppose the assessment. No adjustment has been reflected in the current year financial report.

WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
BRUSLY, LOUISIANA
NOTES TO FINANCIAL STATEMENTS

8. Restricted Net Assets

On February 17, 2011, the Board made a resolution to restrict assets of \$1,350,000 as follows:

- \$500,000 for Major Maintenance on Water System
- \$150,000 for Emergencies
- \$700,000 for New Well Construction

9. Subsequent Events

These financial statements considered subsequent events through July 25, 2011, the date the financial statements were available to be issued.

10. Restatement

In the prior year, certificates of deposit with maturities greater than three months were restated on the statement of cash flows. They were reclassified from cash and cash equivalents to investments.

SUPPLEMENTAL INFORMATION

SCHEDULE 1

**WEST BATON ROUGE PARISH WATER WORKS DISTRICT NO. 2
SCHEDULE OF PER DIEM PAID TO BOARD MEMBERS
FOR THE YEAR ENDED JUNE 30, 2011**

The per diem of the board members is included in the operating expenses of the enterprise fund. In accordance with Louisiana Revised Statute 33.3819, each member received \$60 for each regular monthly meeting they attended.

Board Member	
Charles Prejean	\$ 480
Philip Smith, Secretary	600
Mary Williams, Vice Pres.	600
James Rills, President	780
Addie Crochet, Treas.	660
	<hr/>
Total	<u>\$ 3,120</u>

BAXLEY AND ASSOCIATES, LLC

P. O. Box 482
58225 Belleview Drive
Plaquemine, Louisiana 70764
Phone (225) 687-6630 Fax (225) 687-0365

Hugh F. Baxley, CPA/CVA/PFS/FCPA
Margaret A. Pritchard, CPA

Staci H. Joffrion, CPA

SCHEDULE 2

To the Board of Water Works Commissioners
West Baton Rouge Parish Water Works District No. 2
Brusly, Louisiana

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the business-type activities of the West Baton Rouge Parish Water Works District No. 2, a component unit of West Baton Rouge Parish Council as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 25, 2011. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered West Baton Rouge Parish Water Works District No. 2's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the West Baton Rouge Parish Water Works District No. 2's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (CONTINUED)**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the West Baton Rouge Parish Water Works District No. 2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of management, the Legislative Auditors, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Baxley & Associates, LLC

Plaquemine, Louisiana
July 25, 2011

SCHEDULE 3

WEST BATON ROUGE WATER WORKS DISTRICT #2 SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of West Baton Rouge Water Works District No. 2.
2. There are no significant deficiencies relating to the audit of the financial statements reported in the Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of West Baton Rouge Water Works District No. 2 were disclosed during the audit.

SCHEDULE 4

WEST BATON ROUGE WATER WORKS DISTRICT #2 SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2011

2010-1 PAYROLL REPORTS

Condition:

It was noted that payroll reports were not reconciled to the general ledger.

Recommendations:

Payroll reports such as 941's and W-2's should be prepared for all salaried employees of West Baton Rouge Water Works District No. 2 and should be reconciled to the general ledger accounts.

Current Status:

This condition was corrected during the fiscal year June 30, 2011.

2010-2 LACK OF CONTROLS OVER FINANCIAL REPORTING IN ACCORDANCE WITH GAAP

Condition:

Closing entries were not made to the financial statements to ensure that the statements were prepared in accordance with generally accepted accounting principles.

Recommendations:

As mentioned above, whether or not it would be cost effective to cure a control deficiency is not a factor in applying SAS 112's reporting requirements. Because prudent management requires that the potential benefit from an internal control must exceed its cost, it may not be practical to correct all the deficiencies an auditor reports under SAS 112. In this case we do not believe the significant deficiency described above would be cost effective or practical and accordingly do not believe any corrective action is necessary.

Current Status:

This condition was corrected during the current fiscal year June 30, 2011.